

April 11, 1999

**TO:** Senator Sid Snyder, Chairman  
Senator Dan McDonald  
Representative Hans Dunshee  
Representative Brian Thomas  
Fred Kiga, Director, DOR  
Dick Thompson, Director, OFM

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT: APRIL 10, 1999 REVENUE COLLECTION REPORT**

General Fund-State receipts were \$1.1 million below the forecast in the March 11- April 10 collection period. Revenue Act (retail sales, business & occupation, use and public utility taxes) collections and lottery transfers were a little weaker than expected this month but were partially offset by higher than expected real estate excise and cigarette tax payments. Although tax payments were less than expected, the shortfall was small and indicates that revenues are essentially on track with the March forecast.

The National economy remains strong, although the state's economy is showing signs of slowing as the job cuts in the aerospace sector begin to mount. Washington's unemployment rate rose to 4.9 percent in February from 4.7 percent in January and 4.6 percent from a year ago. Remarkably, slowing state employment growth has had little impact on revenue growth. Revenue act collections in the March 11-April 10 period (primarily reflecting February 1999 business activity) were up 5.9 percent from a year ago. This is a little less than last month's 6.9 percent increases and about the same as the 5.8 average growth in the fourth quarter of 1998. The growth rates are adjusted for legislation and other special factors. Good economic news at the national level has so far helped offset the job loss in the state's aerospace sector. The national economy continues to surprise. The U.S. unemployment rate fell to 4.2 in March, the lowest level in 29 years. Consumer confidence continues to be very positive and the U.S. index of leading indicators rose in March for the fifth consecutive month suggesting the good news may continue.

Preliminary data on taxes paid based on February business activity were mixed. Retailing was up, with all major retail sectors reporting increases. The strongest increases were in the consumer durable sectors with tax payments reported by auto dealers and furniture and appliance stores over 9.0 percent. Non retailing was also mixed. Early data showed strong growth in the construction and manufacturing sectors but weakness in the wholesaling and services sectors.

Other General fund taxes collected by the Department of Revenue were \$2.2 million above the estimate for the month. Higher than expected real estate excise and cigarette tax receipts more than offset less than expected estate and property tax payments. Real estate excise activity accelerated in February (February closings reflecting state tax payments in March) fueled by low interest rates and a high level of consumer confidence. Activity in February was up 17.5 percent, after declining 1.9 percent in January. February's increase was the strongest year-over-year growth since last August. Growth of the number of transactions, however, slowed to only 2.2 percent in February. The value per transaction increased 15.0 percent, after having declined three of the last five months. There was a considerable strength outside the central Puget Sound area in February. Although real estate excise activity was up a healthy 7.4 percent in the Seattle PMSA, it was up an outstanding 33.4 percent outside the Seattle PMSA.

Other agencies' collections were \$1.6 million below the forecast in March. Department of Licensing General Fund collections were \$0.9 million more than the estimate while lottery General Fund deposits were \$2.5 million less than expected.

The attached Table 1 provides a comparison of collections with the forecast for the March 11 - April 10, 1999 collection period and cumulatively since the last forecast. The year-to-date variance is nearly the same as for the month because the monthly estimates based on the March forecast reflect actual receipts through March 10. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

**TABLE 1**  
**Revenue Collection Report**  
**April 10, 1999 Collection Report - Based on the March 1999 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
<b>March 11 - April 10, 1999</b>				
Department of Revenue-Total	\$559,561	\$560,121	\$560	0.1%
Revenue Act** (1)	504,208	502,580	(1,629)	-0.3%
Non-Revenue Act(2)	55,353	57,541	2,188	4.0%
Liquor Sales/Liter	5,341	5,513	172	3.2%
Cigarette	4,677	6,110	1,433	30.6%
Property (State School Levy)	11,585	10,487	(1,098)	-9.5%
Estate	8,553	6,314	(2,239)	-26.2%
Real Estate Excise	21,779	25,578	3,799	17.4%
Timber (state share)	0	0	0	NA
Other	3,418	3,539	121	3.5%
Department of Licensing (2)	11,102	11,977	876	7.9%
Lottery (2)	10,873	8,359	(2,514)	-23.1%
<b>Total General Fund-State***</b>	<b>\$581,535</b>	<b>\$580,457</b>	<b>(\$1,078)</b>	<b>-0.2%</b>
<b>Cumulative Variance Since the March Forecast (March 11- April 10, 1999)3</b>				
Department of Revenue-Total	\$559,561	560,121	560	0.1%
Revenue Act** (3)	504,208	502,580	(1,629)	-0.3%
Non-Revenue Act(4)	55,353	57,541	2,188	4.0%
Liquor Sales/Liter	5,341	5,513	172	3.2%
Cigarette	4,677	6,110	1,433	30.6%
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<b>Total General Fund-State***</b>	<b>\$581,535</b>	<b>\$580,457</b>	<b>(\$1,079)</b>	<b>-0.2%</b>

1 Collections March 11 - April 10, 1999. Collections primarily reflect February 1999 activity of monthly taxpayers.

2 March 1-10, 1999 collections.

3 Cumulative collections, estimates and variance since the March forecast; ( March 11 - April 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast; (March 1999 and revisions to history.)

\* Based on the March 1999 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

**TABLE 2**  
**March 10, 1999 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
<b>February 11 - March 10, 1999</b>				
Department of Revenue-Total	\$546,592	\$546,592	\$0	0.0%
Revenue Act (1)	490,920	490,920	0	0.0%
Non-Revenue Act(2)	55,672	55,672	(0)	-0.0%
Liquor Sales/Liter	5,573	5,573	(0)	-0.0%
Cigarette	5,001	5,001	0	0.0%
Property (State School Levy)	4,594	4,594	0	0.0%
Estate	5,249	5,249	0	0.0%
Real Estate Excise	23,854	23,872	18	0.1%
Timber (state share)	4,848	4,848	(0)	NA
Other	6,554	6,536	(18)	-0.3%
Department of Licensing (2)	9,196	9,196	0	0.0%
Lottery (2)	9,464	9,464	(0)	-0.0%
Total General Fund-State***	\$565,252	\$565,252	\$0	0.0%

**Cumulative Variance: November 11 - March 10, 1999 & Revisions to History**

Department of Revenue-Total	3,210,023	\$3,209,850	(\$173)	-0.0%
Revenue Act (3)	2,423,689	2,423,689	0	0.0%
Non-Revenue Act(4)	786,334	786,161	(173)	-0.0%
Liquor Sales/Liter	28,975	28,975	(0)	-0.0%
Cigarette	22,746	22,746	(0)	-0.0%
Property (State School Levy)	533,816	533,816	0	0.0%
Estate	23,167	23,167	(0)	-0.0%
Real Estate Excise	120,480	120,514	34	0.0%
Timber (state share)	10,096	10,096	0	NA
Other	47,054	46,848	(206)	-0.4%
Department of Licensing (4)	93,949	94,200	251	0.3%
Lottery (4)	42,652	42,712	60	0.1%
Total General Fund-State***	\$3,346,623	\$3,346,762	\$139	0.0%

P-Preliminary. Reported in the March 10, 1999 collection report.

R Revised data.

1 Collections February 11 - March 10, 1999. Collections primarily reflect January 1999 business activity of monthly taxpayers.

2 February 1-28, 1999 collections.

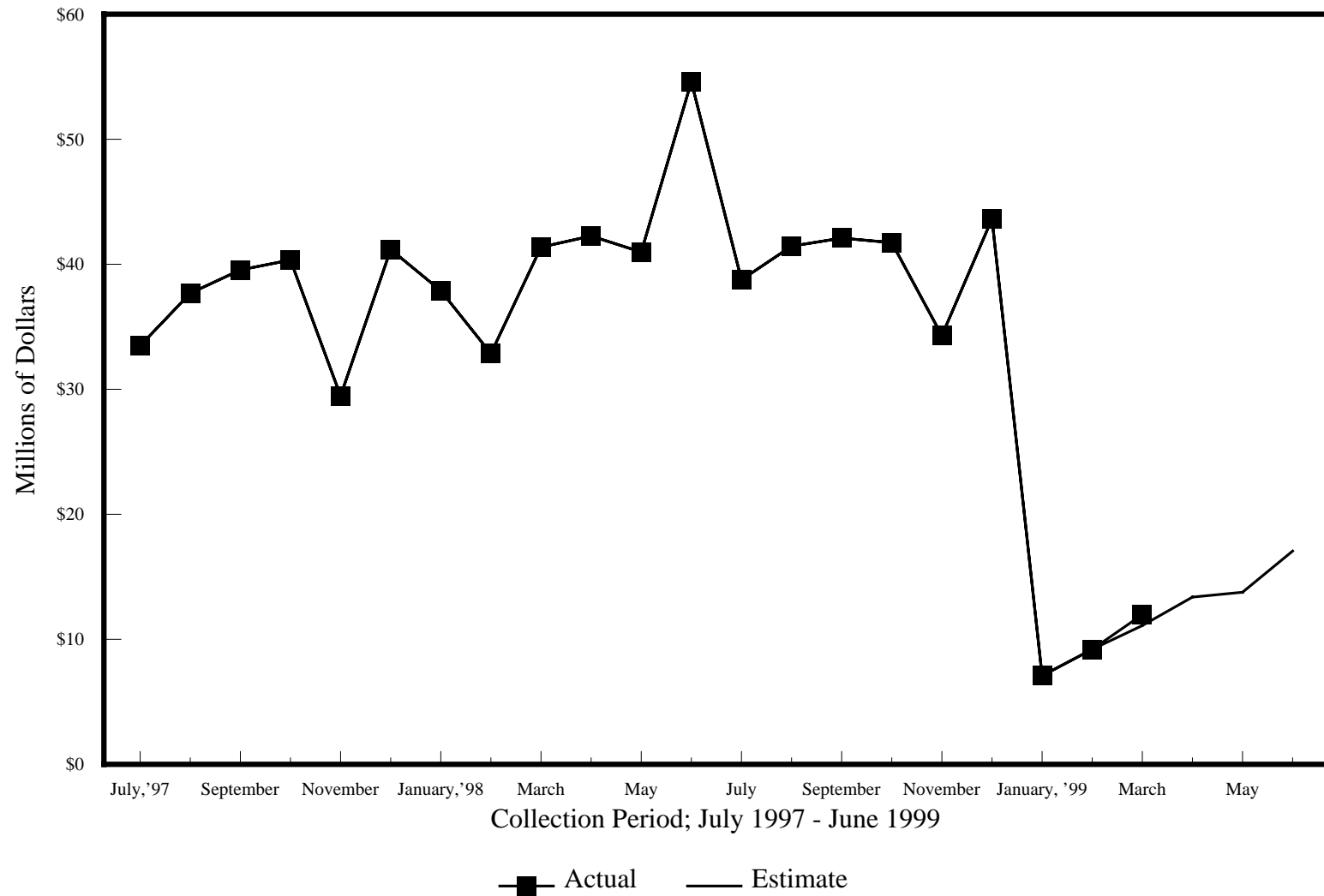
3 Cumulative variance for since the November forecast: November 11 - March 10, 1999, & revisions to history.

4 Cumulative variance: since the November forecast (November - February 1999) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

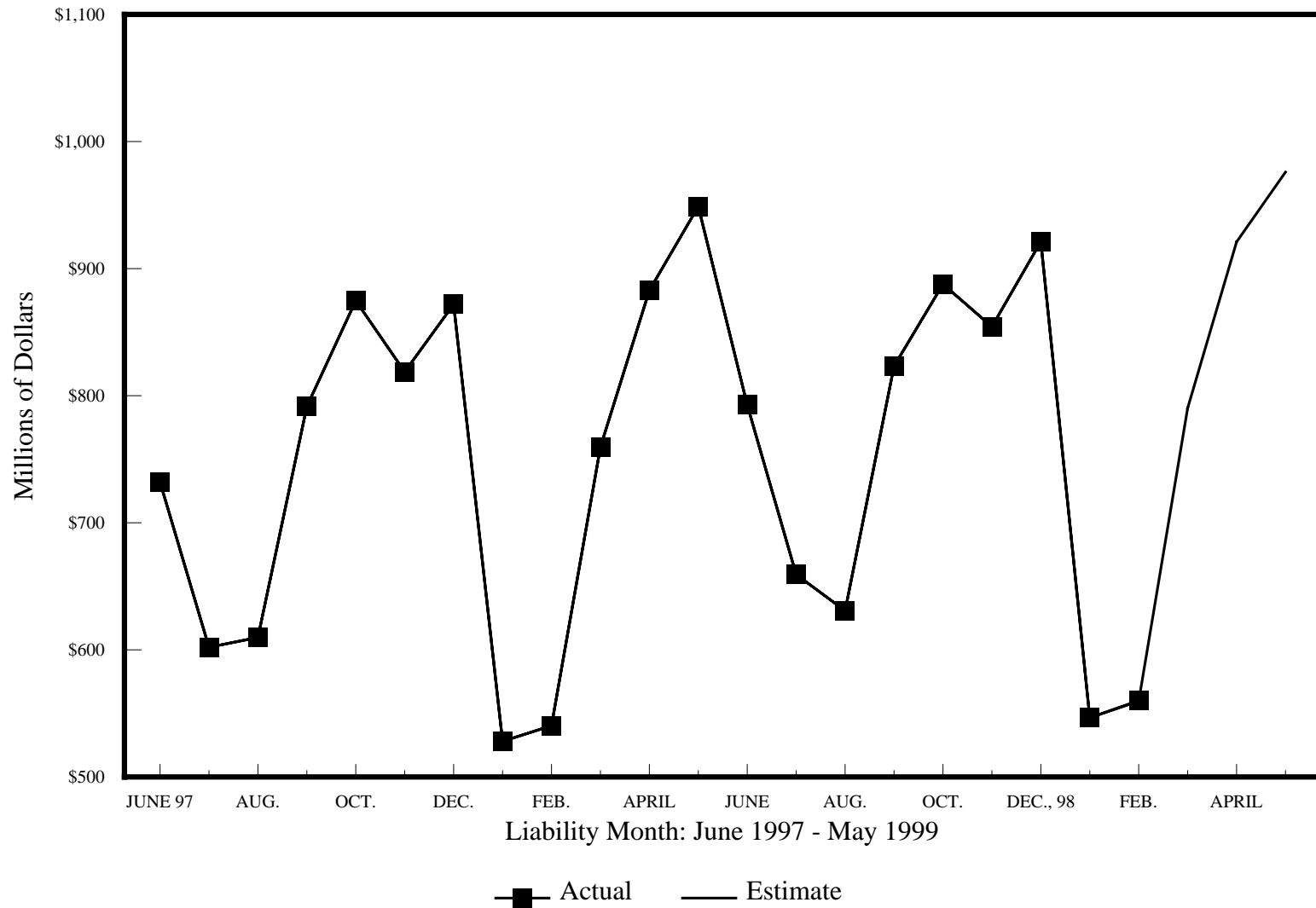
# Dept. of Licensing: General Fund - Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



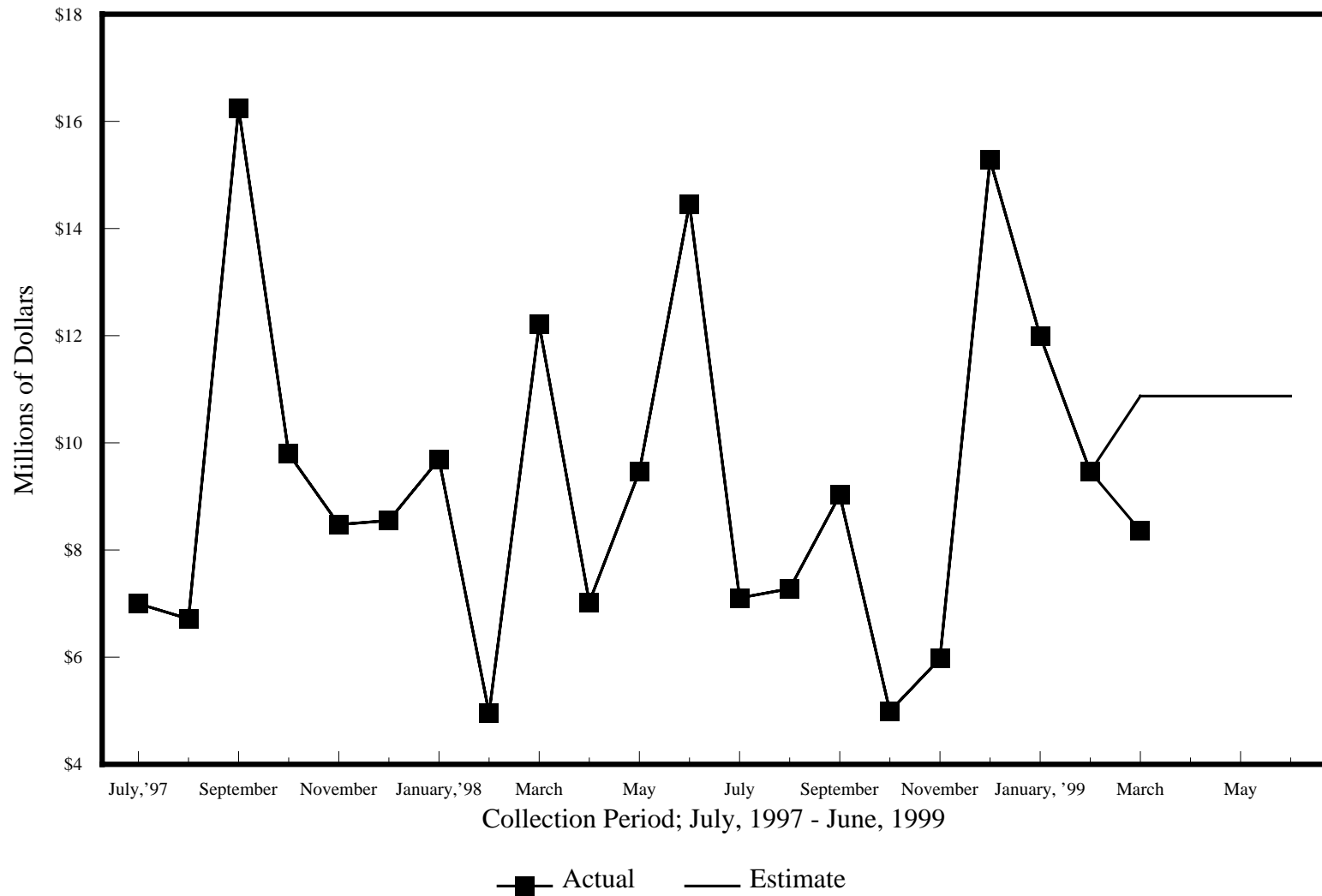
# Department of Revenue - General Fund: Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



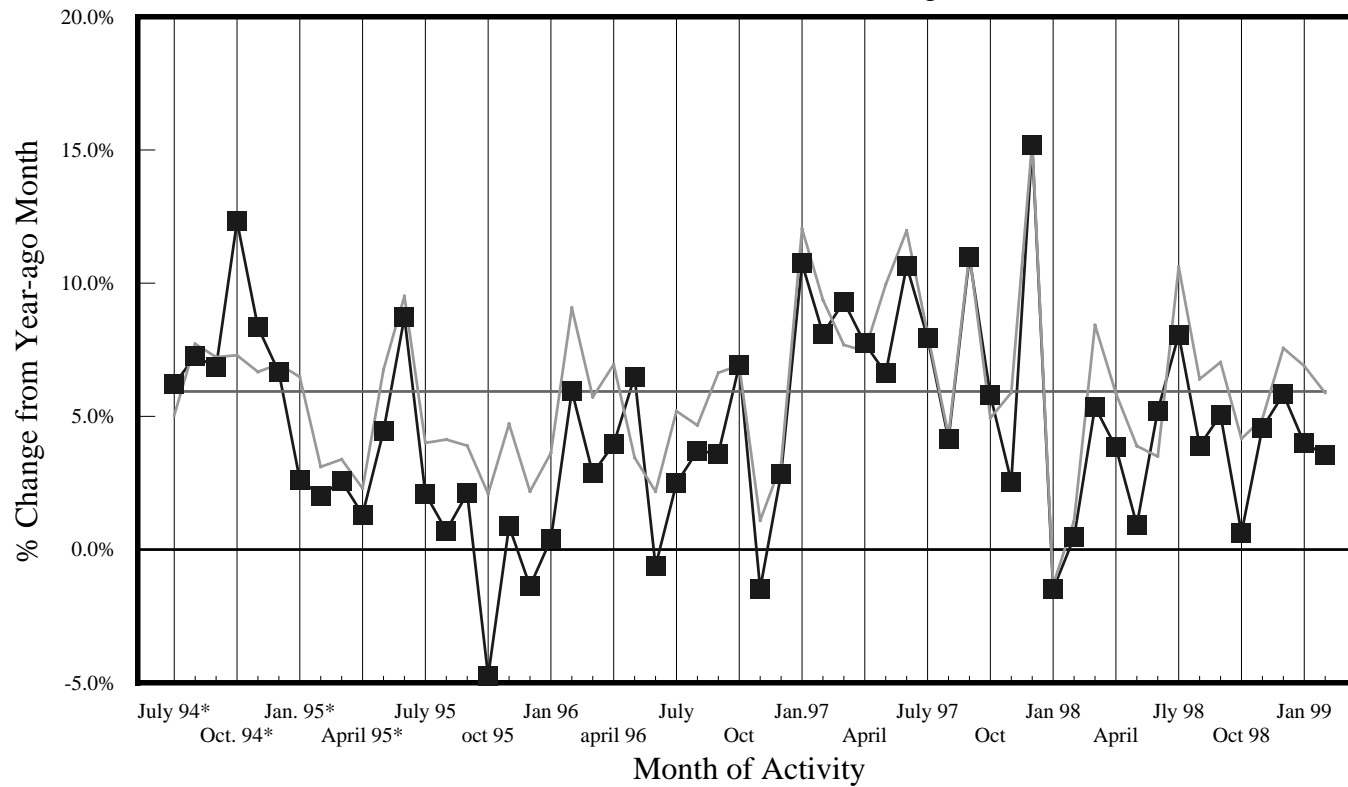
# Lottery General Fund Transfers: Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



# Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj.for Legislation)

— % Change from year-ago, adjusted for large audits & legislation